

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05

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SS-15 STR-01 TRSE-00 FRB-03 FEA-01 /083 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8226

INFO AMEMBASSY OSLO

AMCONSUL EDINBURGH

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 02245

DEPT PASS TREASURY

E.O. 11652: XGDS-1

TAGS: ENRG, UK

SUBJECT: NORTH SEA OIL: CONVERSATION WITH PAYMASTER

GENERAL EDMUND DELL

1. PAYMASTER GENERAL EDMUND DELL TOOK OPPORTUNITY AT LUNCH HOSTED BY FINANCIAL ATTACHE TO EXPRESS HIS LATEST THINKING ON NORTH SEA OIL POLICIES TO SMALL GROUP OF EMBASSY (ECONCOMMIN AND ENERGY ATTACHE), BANK OF ENGLAND, CBI AND OIL COMPANY OFFICIALS.

2. IN COURSE OF DISCUSSION DELL NOTED THAT PUBLIC ADVERTISING CAMPAIGN BY AMOCO (ARGUING FOR EXEMPTION FROM PRT FOR NATURAL GAS) HAD RESULTED IN HIS BEING PUT UNDER INCREASED PRESSURE BY THOSE ELEMENTS IN LABOR PARTY WHICH FEARED COMPANIES WERE BEING GIVEN TOO MUCH IN WAY OF CONCESSIONS. HE COMMENTED THAT COMPANIES SHOULD REALIZE HE WAS ONE OF "SOFTER" INDIVIDUALS WITH WHICH THEY HAD TO DEAL. IN THIS CONTEXT HE MENTIONED FEBRUARY 11 PRESS RE-CONFIDENTIAL

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PORTS THAT HE, SECSTATE VARLEY AND HAROLD LEVER MIGHT EX-

PECT DELEGATION FROM LABOR PARTY'S HOME POLICY COMMITTEE
HEADED BY SECSTATE INDUSTRY BENN ARGUING THAT HMG SHOULD
TAKE SUBSTANTIAL DIRECT STAKE IN BURMAH AND TREAT BP AS
PART OF PUBLIC SECTOR.

3. ON PRT, DELL REITERATED THAT HMG HOPES TO HAVE ESSEN-
TIAL POINTS ANNOUNCED BY END OF FEBRUARY. HE SAID GOVERN-
MENT WOULD MAKE KNOWN AT THAT TIME THOSE AMENDMENTS ON
STRUCTURE OF PRT ACCEPTED AS A RESULT OF OIL COMPANY REP-
RESENTATIONS AS WELL AS RATE OF PRT. THEREAFTER, THERE
WOULD BE PARLIAMENTARY DEBATE IN LATE FEBRUARY OR EARLY
MARCH FOLLOWED BY REPORT ON OIL TAXATION BILL WHICH WOULD
CONTAIN FINAL PRT PROVISIONS. HE DECLINED TO COMMENT ON
DETAILS OF AMENDMENTS OR PROSPECTS FOR DEBATE, SIMPLY
NOTING THAT, CONTRARY TO RECENT PRESS REPORTS, HE HAD NOT
BEEN PERSUADED THAT HMG SHOULD ADOPT VARIABLE RATES OF PRT
HE INTIMATED, HOWEVER, THERE MIGHT BE SOME MERIT IN EX-
EMPTING FROM PRT A CERTAIN MINIMUM LEVEL OF PRODUCTION
FROM ALL FIELDS.

4. ON MAJORITY STATE PARTICIPATION, DELL DID NOT PROVIDE
ANY FURTHER CLARIFICATION OF HMG VIEWS BEYOND THOSE EX-
PRESSED BY HAROLD LEVER (LONDON 2087). DELL AND DOW
(DIRECTOR, BANK OF ENGLAND) WERE NONCOMMITTAL IN RESPONSE
TO QUERY BY ESSO EUROPE EXECUTIVES AS TO WHERE FUNDS
WOULD COME FROM TO ENABLE HMG TO FINANCIALLY PARTICIPATE
IN NORTH SEA OIL FIELDS. DELL ALSO AVOIDED DIRECT RE-
SPONSE TO QUERY BY ENERGY ATTACHE AS TO WHETHER HMG WOULD
ACCEPT "PATCH QUILT" PATTERN OF PARTICIPATION WITH
LARGER, BETTER-FINANCED COMPANIES NOT BEING PRESSED TO
ACCEPT GOVERNMENT PROPOSALS WHICH MAY HAVE SUBSTANTIAL
APPEAL TO ARRAY OF SMALLER FIRMS. DELL SIMPLY NOTED IT
WAS HMG POLICY IN LINE WITH LABOR PARTY PRONOUNCEMENTS TO
EXTEND PARTICIPATION PRINCIPLE TO ALL COMPANIES ENGAGED IN
NORTH SEA DEVELOPMENT.

5. THROUGHOUT DISCUSSION EMBASSY OFFICIALS REITERATED US
CONCERN THAT HMG TAX AND PARTICIPATION POLICIES SHOULD BE
IMPLEMENTED IN A MANNER WHICH DID NOT IMPEDE FLOW OF IN-
VESTMENT FUNDS NEEDED FOR RAPID DEVELOPMENT OF NORTH SEA
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OIL AND GAS.

6. COMMENT: OUR SOUNDINGS INDICATE THE LARGER US OIL
COMPANIES REMAIN BASICALLY HOSTILE TO MAJORITY STATE PAR-
TICIPATION CONCEPT AND WILL NOT BE EASILY PERSUADED BY
LEVER/DELL ARGUMENT IT WOULD BE BENEFICIAL TO NEGOTIATE
"VOLUNTARY" PARTICIPATION WHILE LABOR PARTY MODERATES ARE
STILL IN CONTROL OF NORTH SEA POLICY. END COMMENT

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